



State of New Jersey
DIVISION OF RATE COUNSEL
140 EAST FRONT STREET, 4TH FL
P.O. BOX 003
TRENTON, NEW JERSEY 08625

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

STEFANIE A. BRAND
Director

**Remarks of Stefanie A. Brand, Director, Division of Rate Counsel
Regarding the 2019 Energy Master Plan
July 17, 2019**

Good morning. My name is Stefanie Brand, and I am the Director of the Division of Rate Counsel. Thank you for the opportunity to speak to you today about the 2019 Energy Master Plan.

The Division of Rate Counsel represents and protects the interest of all consumers -- residential customers, small business customers, small and large industrial customers, schools, libraries and other institutions in our communities. Rate Counsel is a party in cases where New Jersey utilities or businesses seek changes in their rates and/or services. Rate Counsel also gives consumers a voice in setting energy, water and telecommunications policy that will affect the rendering of utility services well into the future.

We applaud the BPU, DEP and the Governor for drafting such an ambitious Energy Master Plan. We support many things in this document, including the ambitious goals for achieving a more renewable portfolio of generation and reducing our carbon dioxide and other emissions.

We urge that these goals be pursued with an understanding that affordability is also a central goal. We cannot leave low and moderate income customers behind in this transition. And including them does not mean simply building an EV charging

station in downtown Newark or encouraging Community Solar. It means understanding that despite a strong economy, 40% of Americans still struggle to pay their monthly bills. (Washington Post, 7/4/2019). According to a recent study on the Economic Well Being of US households conducted by the Federal Reserve, if faced with an unexpected expense of \$400, 27 percent of American households would have to borrow or sell something to pay for the expense, and 12 percent would not be able to cover the expense at all. These are daily challenges faced by our fellow citizens across the state.

This means that in order to achieve our energy goals, we have to figure out how to move forward in the most cost effective way possible. There is no “head room” to allow for extra programs that we may not need or to pay more than we need to for the programs that we create.

While there is some language in the EMP talking about the need for affordability, there are no estimates or analysis of costs and benefits within the document that would allow for an evaluation of the provisions set out in the EMP. Nor is there any indication of when that analysis will be conducted.

I understand that the Board is also working on an Integrated Energy Plan (IEP) that will do some modeling of potential scenarios, but the public has little insight and input into how that modeling will ultimately be conducted. At a recent meeting we learned some general parameters, but frankly some of what we learned was troubling. Some assumptions, such as assuming that NJ generation stays in NJ or that we could be self-sufficient from PJM, are simply unrealistic and could result in skewed modeling results. While I understand the IEP process is still unfolding, I would urge the Board to

take advantage of the expertise throughout NJ to craft modelling assumptions that will truly help us determine a least cost path to the GWRA goals, and to bring greater transparency to the process.

One of the assumptions that we heard about at the IEP meeting raises an issue that is seen elsewhere in the EMP. That is the assumption that the three existing nuclear units in the state will continue to operate until 2050 and that the state will continue to subsidize those plants until that date to the extent necessary to keep the plants open. This is a wildly inaccurate and problematic assumption that is likely to make our path forward much more expensive.

First, these units are not licensed to 2050 and there is no reason to believe they will seek or be granted license extensions beyond the sixty years granted by the Nuclear Regulatory Commission. Understand that in 2050, Salem 1 will be 74 years old and Salem 2 will be 70 years old. We have not seen license extensions for plants that old anywhere in the country. They will have reached the end of their useful lives well before 2050.

They are also likely to be uneconomic by then, with the introduction of more and more truly renewable sources of energy and the significant price drops we have been seeing as technology matures. There is no reason to assume that we will continue to rely on and subsidize an outdated and non-renewable technology for that long. Continued subsidization of nuclear plants could limit NJ's ability to take advantage of local offshore wind projects that are coming down in price. There is an opportunity to

replace the three aged nuclear units with new, cleaner, and potentially cheaper technology. We should pursue that opportunity.

In this regard, we have concerns about the definitional change at page 9 of the EMP that defines “clean energy” to be carbon-neutral, ignoring other important environmental concerns. An overreliance on nuclear energy to move the goal posts to 100% by 2050 does not actually bring us to our goals in a realistic and affordable way. And any assumption that we will be subsidizing nuclear energy for the next 30 years is really an abandonment of the market based system established in EDECA and of the obligation to ratepayers to preserve just and reasonable rates.

Along those same lines, at page 48 of the EMP, there is mention of a possibility of a “carbon neutrality requirement for BGS load.” This is a very bad idea. The BGS auction has been working well for many years and provides reliable competitively-priced electricity to New Jersey’s residential and small commercial customers. Imposing a carbon neutrality requirement for BGS load would severely limit competition within the BGS auction, as the only carbon free generation that would then be available to serve residential load would be nuclear power and some renewables (although it will take many years for there to be enough renewables to serve that much of our load). This will result in much higher rates for BGS customers as there will be many fewer bidders, and the largest available capacity by far will all be owned by one generator (PSEG power). It is also not a particularly effective idea since people could then just flee the BGS auction and sign up with third-party suppliers for lower rates. New Jersey would then be subsidizing via the BGS auction nuclear energy produced in or going to other states, rather than actually transforming our sources of generation.

That passage on p. 48 also refers to the possibility of a “clean energy market that competitively sources carbon-free energy.” It is unclear what this will entail, but it might be a better option. Some other states use competitive procurements to promote certain sources of electricity. Whether this is an option for NJ requires greater thought and detail, but it is certainly a more realistic option than a carbon neutrality requirement for BGS load.

Of course, one of the most obvious ways to reduce our reliance on energy sources that release greenhouse gases is to put a price on emissions and recycle the revenues for GHG reducing programs. This is similar to what RGGI is attempting to accomplish. This option needs to be considered more directly and should be included in any modeling as an alternative.

The analysis in both the EMP and IEP should also include evaluation and the need to make course corrections along the way. We need a detailed plan for implementation, looking at specific usage and cost projections. There is nothing in the EMP that calls for ongoing evaluation and analyses of costs and benefits. Without independent, objective and systematic evaluation over the long term, it is unlikely that the EMP’s objectives will be reached in a cost effective manner. This is an essential component of any plan going forward and should be specifically discussed in the EMP.

Regarding energy efficiency, we strongly urge the Board not to allow utilities to establish a monopoly in their service territories. It would lead to very different options for customers in the different service territories. Some companies might do a good job but others likely will not (as we found in the past). It would also force plumbers and

carpenters, etc. to go through the utility to get the work, with the utility tacking on administrative fees and profit, thus leading to higher prices. The utilities should focus on complementing the OCE programs and doing things – like on-bill financing- that OCE can't do. We therefore agree very strongly with the statement in the EMP on p. 60 that says we need BOTH utility and OCE programs. We also agree with the discussion on p. 62 that in order to lower costs, other sources of capital for EE and RE, such as “green banks,” etc. should be explored beyond utility financing.

Rate Counsel also urges the Board not to award additional revenues to the utilities through decoupling. We are one of only 4 states that allow utilities to earn on their EE investments. If we allow the utilities to earn on EE investments through a surcharge as we do now (“RGGI Section 13”), be awarded incentives under the Clean Energy Act, AND recover lost revenues through decoupling, we will overpay for EE the way we did for many years for solar. We just can't do that and still afford to reach our goals. If there is any inclination to award lost revenues or decoupling, then it must come with a repeal of RGGI Section 13.

With respect to electric vehicles, there should be no ratepayer money for vehicle rebates. We recognize that some ratepayer money will be needed for upgrades to the distribution system and perhaps some limited charging infrastructure, but every effort should be made to recover the costs of EVs from those customers with electric vehicles. This is an important part of addressing the concerns of low income and environmental justice communities. Since we know that upgrades to the distribution system will be needed, unless a mechanism is established to have customers utilizing EVs pay their fair share, those upgrade costs will fall on other utility customers who are not in a

position to purchase an electric vehicle. This problem is compounded if you add the costs of charging stations and vehicle rebates to the bills of utility customers. A fairer way to fund the transformation must be found. We therefore support the discussion on p.64 that calls for the development of alternative rate designs for EV charging, as they can provide a mechanism to recover EV-related costs as well as provide incentives for off-peak charging and battery storage.

With respect to charging station infrastructure, there is a competitive industry building charging stations and no need at all to usurp that industry by allowing utilities to monopolize and rate base charging station infrastructure. It may be the easy way to do it, but it is also the expensive way to do it and it is not necessary. The contributions from ratepayers should be kept as low as possible as there are other sources of funding available and ultimately the utilities and the car companies will profit substantially from the sale and use of electric vehicles. The Charge EV study only assumed \$700 million over 10 years in ratepayer money when it found overall ratepayer benefits. If ratepayers are forced to pay more, the costs will quickly outweigh the benefits.

On solar and other renewables, we look forward to discussing how to move forward with the transition. Obviously any effort to get around the caps included by the Legislature in the Clean Energy Act would be inappropriate and contrary to the statute. Those caps are rather generous, and many other states have managed to develop thriving solar industries without the high subsidies NJ has been paying for solar. One way to reduce costs and allow for solar developers to get financing is to encourage the use of competitively-procured long term contracts. This would provide both competitive

prices and sufficient certainty to procure financing. We can find a way forward on solar, and we look forward to being part of those discussions.

One more point about RECs for out of state renewables (other than solar). There is no reason to pretend NJ is an island. We are part of the PJM grid and power flows out of NJ and into NJ. Putting aside any Commerce Clause issues with trying to create preferences for in-state renewable energy, we would simply be getting in our own way if we start to draw those lines. We need to accept and consider all resources that help us reach our goals.

With respect to the discussion regarding AMI on p. 78, we agree that utilities should be replacing meters that reach the end of their useful life with advanced meters. They should have been doing that all along, but have not because they have been seeking pre-approval. The utilities are not entitled to pre-approval, as this Board recently held correctly. There is nothing standing in the way of utilities gradually and prudently turning over their meters. But to be prudent, the installation of advanced meters should be done in a way that is cost effective and avoids stranded costs.

With respect to grid modernization, the NJ EDCs have been making incremental investments to modernize the grid and utility Infrastructure through base rates, infrastructure investment programs and storm resiliency programs. No change in the “current utility model” is needed to make that happen. All of the EDCs have been making investments in distribution automation, which can provide some of the monitoring and communications that are part of the Governor’s plan. Just because NJ does not have AMI, it does not mean that NJ is lagging other states.

With increased AMI and grid modernization, we do need to be especially vigilant regarding customer privacy and data protection. NJ has a long history of having very protective regulations and Board precedent protecting customer data and those protections should absolutely be maintained. This is one of the most important issues for customers and there is no need to create additional concerns since the protections we have are already what we need. They should be maintained.

I would like to end with two issues discussed in the EMP that we strongly agree with. First, we very much support the call on page 74 for utilities to develop integrated distribution plans (IDPs). We think this is a necessary step for efficiently and effectively locating and integrating distributed resources and prioritizing grid updates. We urge the Board to develop guidelines for what should be included in an IDP so that there is consistency among the utilities and across the state.

We also wholeheartedly support the EMP's discussion at p. 76 regarding the costs of transmission. We agree that the state should take on a greater role in overseeing the need for transmission and its costs. We support increasing BPU's role in reviewing the need for and siting of transmission, as is done in other states.

Finally, one last word on transparency. We believe it is absolutely crucial that we include all of our collective resources and knowledge to take on these ambitious goals. Stakeholder input is not just desirable, it is essential. We see no point in having a public process if the input from experts and stakeholders is not genuinely considered. We have seen many instances recently where the public is given a series of questions to consider, but the actual straw proposal or draft policy is not shared until it is adopted.

We have also seen several instances where draft policies or reports are put out for public comment but no changes or responses are ever made based on those comments. This type of process does not lead to good decisions or instill public confidence in the Board's ultimate decisions. Transparency matters. And there is much to learn from the people in this room. I urge you to truly consider the input you will get today and at the other hearings and let the public help, as they are truly the people who will bring us to our goals.

Thank you for the opportunity to testify today. I am available to answer any questions you may have.